



HOCK HENG STONE INDUSTRIES BHD.

(Company No. : 840040-H)

(Incorporated in Malaysia)

**Condensed Consolidated
Interim Financial Statements
For the third quarter ended
30 September 2016**

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Condensed Consolidated Statements of Comprehensive Income
For the third quarter ended 30 September 2016
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 30.9.2016 RM'000	Preceding year corresponding quarter ended 30.9.2015 RM'000	Current year- to-date 30.9.2016 RM'000	Preceding year corresponding period 30.9.2015 RM'000
Continuing operations					
Revenue		10,494	8,706	29,563	28,731
Cost of sales		(7,753)	(6,170)	(21,604)	(21,082)
Gross profit		2,741	2,536	7,959	7,649
Other income		152	107	520	617
Administrative, general and selling expenses		(2,084)	(1,833)	(5,850)	(5,434)
Operating profit		809	810	2,629	2,832
Finance costs		(512)	(476)	(1,601)	(1,393)
Profit before tax	23	297	334	1,028	1,439
Income tax expense	24	(165)	(217)	(307)	(612)
Profit for the period		132	117	721	827
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		132	117	721	827
Profit attributable to:					
Owners of the parent		137	89	726	837
Non-controlling interests		(5)	28	(5)	(10)
		132	117	721	827
Total comprehensive income attributable to:					
Owners of the parent		137	89	726	837
Non-controlling interests		(5)	28	(5)	(10)
		132	117	721	827
Earnings per share attributable to owners of the parent:					
Basic, for the period (sen)	33	0.17	0.11	0.91	1.05
Diluted, for the period (sen)	33	N/A	N/A	N/A	N/A

Notes:

N/A Not applicable

These Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Condensed Consolidated Statements of Financial Position
As at 30 September 2016

	Note	Unaudited As at 30.9.2016 RM'000	Audited As at 31.12.2015 RM'000
Assets			
Non-current assets			
Property, plant and equipment	7	23,573	22,962
Investment properties		5,154	5,228
Land use rights		2,262	2,307
Land held for property development		4,063	4,063
Development expenditure		379	379
Deferred tax assets		197	191
		<u>35,628</u>	<u>35,130</u>
Current assets			
Property development costs		26,292	25,331
Inventories	8	32,969	33,378
Trade receivables and other receivables		14,140	11,285
Other current assets		5,466	6,408
Current tax assets		544	324
Cash and bank balances		2,387	1,918
		<u>81,798</u>	<u>78,644</u>
Total assets		<u>117,426</u>	<u>113,774</u>
Equity and liabilities			
Current liabilities			
Current tax liabilities		23	35
Borrowings	26	20,960	19,782
Trade payables and other payables		10,938	9,664
Other current liability		707	-
		<u>32,628</u>	<u>29,481</u>
Net current assets		<u>49,170</u>	<u>49,163</u>
Non-current liabilities			
Deferred tax liabilities		449	668
Borrowings	26	30,245	30,242
		<u>30,694</u>	<u>30,910</u>
Total liabilities		<u>63,322</u>	<u>60,391</u>
Equity attributable to owners of the parent			
Share capital		40,000	40,000
Retained earnings	34	13,985	13,259
		<u>53,985</u>	<u>53,259</u>
Non-controlling interests		119	124
Total equity		<u>54,104</u>	<u>53,383</u>
Total equity and liabilities		<u>117,426</u>	<u>113,774</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)			
		<u>67.48</u>	<u>66.57</u>

These Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
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Condensed Consolidated Statements of Changes in Equity
For the third quarter ended 30 September 2016
(The figures have not been audited)

	Attributable to equity holders of the parent				
	Share capital	Distributable Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
Opening balance at 1 January 2015	40,000	12,320	52,320	177	52,497
Total comprehensive income for the period	-	837	837	(10)	827
Transactions with owners					
Accretion of interest in subsidiary	-	-	-	(32)	(32)
Closing balance at 30 September 2015	40,000	13,157	53,157	135	53,292
Opening balance at 1 January 2016	40,000	13,259	53,259	124	53,383
Total comprehensive income for the period	-	726	726	(5)	721
Closing balance at 30 September 2016	40,000	13,985	53,985	119	54,104

These Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
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Condensed Consolidated Statements of Cash Flows
For the third quarter ended 30 September 2016
(The figures have not been audited)

	Note	Current year- to-date 30.9.2016 RM'000	Preceding year corresponding period 30.9.2015 RM'000
Cash flows from operating activities			
Profit before tax		1,028	1,439
Adjustment for:			
Amortisation of land use rights		44	67
Depreciation of property, plant and equipment		1,440	1,419
Depreciation of investment properties		88	29
Impairment loss on trade receivables		97	-
Reversal of impairment loss on trade receivables		(2)	(171)
Reversal on write-down of inventories		-	(202)
Gain on disposal of property, plant and equipment		(50)	(23)
Loss on accretion of interest in subsidiary		-	28
Interest expense		1,601	1,393
Interest income		(15)	(18)
Operating profit before changes in working capital		<u>4,231</u>	<u>3,961</u>
Changes in working capital:			
Property development costs		(276)	(968)
Inventories		409	209
Receivables		(2,950)	724
Other current assets		942	(2,337)
Payables		1,274	519
Other current liability		707	87
Cash generated from operations		<u>4,337</u>	<u>2,195</u>
Income tax paid		(765)	(962)
Net cash from operating activities		<u>3,572</u>	<u>1,233</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1,702)	(1,525)
Purchase of investment properties		(14)	(408)
Proceeds from disposal of property, plant and equipment		72	52
Accretion of interest in subsidiary		-	(60)
Interest received		15	18
Net cash used in investing activities		<u>(1,629)</u>	<u>(1,923)</u>
Cash flows from financing activities			
Interest paid		(2,286)	(1,541)
Increase/(decrease) of short term borrowings		833	(153)
Drawdown of term loans		890	248
Repayment of term loans		(898)	(768)
Repayment of obligation under finance leases		(208)	(257)
Net cash used in financing activities		<u>(1,669)</u>	<u>(2,471)</u>
Net increase/(decrease) in cash and cash equivalents		274	(3,161)
Cash and cash equivalents at beginning of period		(3,671)	(248)
Cash and cash equivalents at end of period	9	<u>(3,397)</u>	<u>(3,409)</u>

These Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

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Notes to the Interim Financial Statements for the third quarter ended 30 September 2016

Part A - Explanatory notes pursuant to Financial Reporting Standard 134

1. Basis of preparation

The interim financial statements is unaudited and has been prepared in accordance with Financial Reporting Standards ("FRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad for the Main Market.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015. These explanatory notes attached to the interim financial statements provide an explanation of the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2015.

2. Summary of significant accounting policies

The significant accounting policies adopted are consistent with those used in the preparation of the audited financial statements for the financial year ended 31 December 2015.

2.1 Changes in accounting policies and effects arising from adoption of new FRSs, amendments to FRSs and IC Interpretations

At beginning of current financial period, the Group had adopted the following new FRSs, amendments to FRSs and IC Interpretations:

Effective for financial periods beginning on or after 1 January 2016

- FRS 14 *Regulatory Deferral Accounts*
- Amendments to FRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to FRS 116 and FRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to FRS 127 *Equity Method in Separate Financial Statements*
- Amendments to FRSs *Annual Improvements to 2012-2014 Cycle*
- Amendments to FRS 101 *Disclosure Initiative*
- Amendments to FRS 10, FRS 12 and FRS 128 *Investment Entities: Applying the consolidation Exception*

There is no material impact upon adoption of these amendments to the interim financial statements during the current financial period.

2.2 Standards and Interpretations issued but not yet effective

The following new and amended FRSs and IC Interpretations were issued but not yet effective and have not been applied by the Group:

Effective for financial periods beginning on or after 1 January 2018

- FRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*

Effective for financial periods to be announced by MASB

- Amendments to FRS 10 and FRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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Part A - Explanatory notes pursuant to Financial Reporting Standard 134 (continued)

3. Seasonal or cyclical factors

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

4. Unusual items

There were no unusual items because of their nature, size or incidence that has affected the assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review.

5. Changes in estimates

There were no changes in estimates that have had a material effect in the current quarter results.

6. Debt and equity securities

There have been no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter under review.

7. Property, plant and equipment

Acquisitions

Below are the property, plant and equipment acquired by the Group during the period ended:

	30.9.2016	30.9.2015
	RM'000	RM'000
Land	727	259
Building-in-progress	-	149
Buildings	653	372
Plant, machinery and factory equipment	193	527
Motor vehicles	484	412
Other assets *	15	101
	<u>2,072</u>	<u>1,820</u>

* Other assets comprise of office equipment, furniture and fittings, electrical installation, computers and cabin.

During the period under review, the Group acquired property, plant and equipment by mean of:

	30.9.2016	30.9.2015
	RM'000	RM'000
Interest expense capitalised	-	149
Hire purchase	370	146
Cash outflow	1,702	1,525
	<u>2,072</u>	<u>1,820</u>

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Part A - Explanatory notes pursuant to Financial Reporting Standard 134 (continued)

7. Property, plant and equipment (continued)

Disposals

Below is the property, plant and equipment disposed by the Group during the period under review:

	Cost RM'000	Net carrying amount RM'000	Sales proceeds RM'000	Gain on disposals RM'000
Motor vehicles	222	22	72	50

8. Inventories

During the current period ended 30 September 2016, there were no write-down of inventories.

9. Cash and bank balances

	30.9.2016 RM'000	30.9.2015 RM'000
Cash at banks and on hand	1,805	1,383
Short term deposits with licensed banks	582	546
Cash and bank balances	2,387	1,929
Less: Bank overdrafts	(5,784)	(5,338)
Total cash and cash equivalents	(3,397)	(3,409)

10. Fair value hierarchy

No transfers between any levels of the fair value hierarchy took place during the current interim period and the comparative period. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

The Group does not hold credit enhancements or collateral to mitigate credit risk. The carrying amount of financial assets therefore represents the potential credit risk.

11. Provisions for cost of restructuring

There were no provision for, or reversal of, costs of restructuring during the reporting period.

12. Dividends paid

There were no dividends paid in the current financial quarter ended 30 September 2016.

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Part A - Explanatory notes pursuant to Financial Reporting Standard 134 (continued)

13. Capital commitments

Capital commitments as at end of the current quarter are as follows:

	30.9.2016 RM'000	31.12.2015 RM'000
Property, plant and equipment:		
- Approved and not contracted for	662	1,292
	<u>662</u>	<u>1,292</u>

14. Contingent assets and liabilities

There were no contingent assets or liabilities since 31 December 2015.

15. Segment information

The segment information in respect of the Group's operating segments are as follows:

- (i) Sales of goods - manufacture and sales of dimension stones and related products and is completed within 6 months.
- (ii) Construction - supply and installation of dimension stones and related products for projects secured and is completed over a period of more than 6 months.
- (iii) Property development - property development.
- (iv) Others - investment holding.

	Sales of goods RM'000	Construction RM'000	Property development RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Period ended 30.9.2016						
Revenue:						
External customers	17,425	10,067	2,071	-	-	29,563
Inter-segment	20,080	-	-	-	(20,080)	-
	<u>37,505</u>	<u>10,067</u>	<u>2,071</u>	<u>-</u>	<u>(20,080)</u>	<u>29,563</u>
Results:						
Depreciation and amortisation	1,447	125	-	-	-	1,572
Other non-cash expense	(2)	-	-	-	-	2
Segment profit/(loss)	<u>698</u>	<u>310</u>	<u>(40)</u>	<u>(41)</u>	<u>101</u>	<u>1,028</u>
Assets						
Capital expenditure	854	490	728	-	-	2,072
Segment assets	<u>75,357</u>	<u>9,005</u>	<u>32,973</u>	<u>91</u>	<u>-</u>	<u>117,426</u>
Segment liabilities						
	<u>37,698</u>	<u>-</u>	<u>25,560</u>	<u>64</u>	<u>-</u>	<u>63,322</u>

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Part A - Explanatory notes pursuant to Financial Reporting Standard 134 (continued)

15. Segment information (continued)

	Sales of goods RM'000	Construction RM'000	Property development RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Period ended 30.9.2015						
Revenue:						
External customers	22,125	6,606	-	-	-	28,731
Inter-segment	12,756	-	-	-	(12,756)	-
	<u>34,881</u>	<u>6,606</u>	<u>-</u>	<u>-</u>	<u>(12,756)</u>	<u>28,731</u>
Results:						
Depreciation and amortisation	1,402	113	-	-	-	1,515
Other non cash expenses	(373)	-	-	-	-	373
Segment profit/(loss)	<u>1,431</u>	<u>146</u>	<u>(251)</u>	<u>(57)</u>	<u>170</u>	<u>1,439</u>
Assets						
Capital expenditure	1,960	268	-	-	-	2,228
Segment assets	<u>75,903</u>	<u>8,131</u>	<u>29,269</u>	<u>112</u>	<u>-</u>	<u>113,415</u>
Segment liabilities	<u>35,890</u>	<u>88</u>	<u>24,107</u>	<u>38</u>	<u>-</u>	<u>60,123</u>

The following items are added to/(deducted from) segment profit to arrive at profit before tax presented in the consolidated statement of comprehensive income:

	30.9.2016 RM'000	30.9.2015 RM'000
Interest income	15	18
Finance costs	(1,601)	(1,393)
	<u>(1,586)</u>	<u>(1,375)</u>

The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	30.9.2016 RM'000	30.9.2015 RM'000
Current tax assets	544	304
Deferred tax assets	197	184
	<u>741</u>	<u>488</u>

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Part A - Explanatory notes pursuant to Financial Reporting Standard 134 (continued)

15. Segment information (continued)

The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	30.9.2016	30.9.2015
	RM'000	RM'000
Current tax liabilities	23	79
Deferred tax liabilities	449	503
	<u>472</u>	<u>582</u>

16. Changes in composition of the Group

There were no changes in the composition of the Group in the current quarter under review.

17. Events after the reporting period

There were no material events subsequent to the end of the current quarter.

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Part A - Explanatory notes pursuant to Financial Reporting Standard 134 (continued)

18. Related party transactions

The Group had the following transactions with related parties during the current quarter under review and current year-to-date as well as the balances with the related parties as disclosed below:

- (i) Company in which certain directors, Low Kim Hock, Low Kim Joo, Low Kim Ong and a major shareholder, Low Kim Chung have interest:
- LBS Realty Sdn. Bhd. ("LBS")
- (ii) Company in which certain directors, Low Kim Hock, Low Kim Joo, Low Kim Ong and a major shareholder, Low Kim Chung have deemed interested by virtue of their interests in LBS which in turn holds 70% equity interest in EMP:
- EMP Design Sdn. Bhd. ("EMP")

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.9.2016 RM'000	Preceding year corresponding quarter ended 30.9.2015 RM'000	Current year- to-date 30.9.2016 RM'000	Preceding year corresponding period 30.9.2015 RM'000
Rental paid to LBS	21	21	63	63
Sales of dimension stone products to EMP	356	296	732	1,295
			Amount owed by related parties	
			As at 30.9.2016 RM'000	As at 31.12.2015 RM'000
LBS			-	-
EMP			1,037	877

The transactions above were based on negotiated and mutually agreed terms and has been approved by the shareholders in the Annual General Meeting.

Part B - Explanatory notes pursuant to Appendix 9B of the Listing Requirements

19. Review performance of the Group

3 months ended 30.9.2016

	Individual quarter		Increase/(decrease)	
	Current year quarter ended 30.9.2016 RM'000	Preceding year corresponding quarter ended 30.9.2015 RM'000	RM'000	%
Revenue	10,494	8,706	1,788	20.5
- Sales of goods segment	5,458	5,945	(487)	(8.2)
- Construction segment	2,965	2,761	204	7.4
- Property development segment	2,071	-	2,071	100.0
Profit before tax	297	334	(37)	(11.1)

Revenue

The Group's revenue for current quarter ("3Q2016") ended 30 September 2016 has increased by RM1.79 million or 20.5% to RM10.494 million as compared to corresponding quarter in the preceding year. The increase in revenue for 3Q2016 was due to the revenue generated from property development segment by RM2.07 million as well as marginal increase in construction segment by RM0.21 million offset against sales of goods segment of RM0.49 million.

Profit before tax

The Group's profit before tax for 3Q2016 has marginally decreased by RM0.04 million as compared to profit before tax of RM0.33 million in corresponding quarter in preceding year. The marginal decrease in profit before tax in 3Q2016 is mainly due to the increase of finance costs by RM0.04 million in 3Q2016 as compared to preceding year.

9 months ended 30.9.2016

	Cumulative quarter		Increase/(decrease)	
	Current year- to-date 30.9.2016 RM'000	Preceding year corresponding period 30.9.2015 RM'000	RM'000	%
Revenue	29,563	28,731	832	2.9
- Sales of goods segment	17,425	22,125	(4,700)	(21.2)
- Construction segment	10,067	6,606	3,461	52.4
- Property development segment	2,071	-	2,071	100.0
Profit before tax	1,028	1,439	(411)	(28.6)

Revenue

The Group's revenue for current year-to-date ("9M2016") ended 30 September 2016 has increased slightly by RM0.83 million or 2.9% to RM29.56 million as compared to corresponding period in the preceding year. The slight increase in revenue for 9M2016 was due to the increase in property development segment by RM2.07million and construction segment by RM3.46 million however off-set by the decrease in sales of goods segment by RM4.70 million.

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Part B - Explanatory notes pursuant to Appendix 9B of the Listing Requirements (continued)

19. Review performance of the Group (continued)

9 months ended 30.9.2016 (continued)

Profit before tax

The Group's profit before tax for 9M2016 has decreased by RM0.41 million to RM1.03 million as compared with the corresponding period in the preceding year. The decrease in the profit before tax is mainly due to the reduce of other income by RM0.09 million, the increase of administrative, general and selling expenses by RM0.42 million and the increase of finance costs by RM0.21 million in 9M2016. However, the reduce in other income and both increase in administrative, general and selling expenses and finance costs have been off-set by the improvement of operating profit by RM0.31 million for the 9M2016 under review.

20. Material changes in the profit before tax as compared to the immediate preceding quarter

	Individual quarter		Increase/ (decrease) RM'000
	Current quarter ended 30.9.2016 RM'000	Preceding quarter ended 30.6.2016 RM'000	
Revenue	10,494	9,956	538
- Sales of goods segment	5,458	6,312	(854)
- Construction segment	2,965	3,644	(679)
- Property development	2,071	-	2,071
Profit before tax	<u>297</u>	<u>177</u>	120

The Group recorded increase in profit before tax by RM0.12 million for the current quarter under review as compared to profit before tax in the immediate preceding quarter. The increase of profit before tax in current quarter is mainly due to the increase in revenue generated from property development segment in current quarter as compared to immediate preceding quarter.

21. Commentary on prospects

The Malaysian economy in year 2016 is expected to grow moderately at between 4% to 5%, driven by domestic demand with private expenditure as the main anchor while the government expects public expenditure to increase moderately.

Looking forward into year 2016, the weakening Ringgit Malaysia and the increase of minimum wage will continue to pose challenges to Malaysian business in coping with the higher operating costs.

With the favourable outlook of construction sector in year 2016, the Group will continue to focus on maximising efficiency and undertake strategies to ensure the long-term strength of the businesses and operations.

Barring any unforeseen circumstances with the favourable outlook of construction sector, the Directors believe that the Group's prospects for the remaining periods of the financial year ending 31 December 2016 will remain favourable.

Part B - Explanatory notes pursuant to Appendix 9B of the Listing Requirements (continued)

22. Profit forecast or profit guarantee

The Group has not issued any profit forecast or profit guarantee for the current quarter under review and hence this information is not applicable.

23. Profit before tax

Included in the profit before tax are the following items:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.9.2016 RM'000	Preceding year corresponding quarter ended 30.9.2015 RM'000	Current year- to-date 30.9.2016 RM'000	Preceding year corresponding period 30.9.2015 RM'000
Interest income	(5)	(5)	(15)	(18)
Other income (including investment income)	-	-	-	-
Interest expense	512	476	1,601	1,393
Depreciation of:				
- Property, plant and equipment	470	488	1,440	1,419
- Investment properties	31	11	88	29
Amortisation of land use rights	14	22	44	67
Impairment loss on trade receivables	97	-	97	-
Reversal of impairment loss on trade receivables	-	-	(2)	(171)
Bad debts written off	-	-	-	-
Write-down of inventories	-	-	-	-
Reversal on inventories written off	-	(133)	-	(202)
(Gain)/Loss on disposal of:				
- Property, plant and equipment	(17)	-	(50)	(23)
- Investment properties	-	-	-	-
Property, plant and equipment written off	-	-	-	-
(Gain)/Loss on foreign exchange:				
- Realised	5	(9)	(37)	(13)
Rental income	(106)	(139)	(322)	(275)

24. Income tax expense

Major components of income tax expense includes the following:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.9.2016 RM'000	Preceding year corresponding quarter ended 30.9.2015 RM'000	Current year- to-date 30.9.2016 RM'000	Preceding year corresponding period 30.9.2015 RM'000
Current tax:				
Malaysian income tax	223	112	533	476
Under/(over)provision in previous years	-	14	-	14
	223	126	533	490

Part B - Explanatory notes pursuant to Appendix 9B of the Listing Requirements (continued)

24. Income tax expense (continued)

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.9.2016 RM'000	Preceding year corresponding quarter ended 30.9.2015 RM'000	Current year- to-date 30.9.2016 RM'000	Preceding year corresponding period 30.9.2015 RM'000
Deferred tax:				
Relating to origination and reversal of temporary differences	(57)	102	(2)	105
Relating to reduction in tax rate	-	-	(26)	-
Under/(over)provision in previous years	(1)	(11)	(198)	17
	<u>(58)</u>	<u>91</u>	<u>(226)</u>	<u>122</u>
Total income tax expense	<u>165</u>	<u>217</u>	<u>307</u>	<u>612</u>

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The effective tax rate of the Group for the current quarter and previous corresponding quarter are higher due to certain expenses which are not deductible for tax purposes.

25. Status of corporate proposals

There were no corporate proposals announced but not completed as at the date of this interim financial statements.

26. Borrowings and debts securities

None of the below borrowings are denominated in foreign currencies.

	30.9.2016 RM'000	31.12.2015 RM'000
Short term borrowings		
Secured:		
Bank overdrafts	5,783	5,589
Banker acceptances	5,232	5,346
Obligation under finance leases	311	265
Trust receipts	7,799	6,852
Term loans	1,835	1,730
	<u>20,960</u>	<u>19,782</u>
Long term borrowings		
Secured:		
Obligation under finance leases	499	383
Term loans	29,746	29,859
	<u>30,245</u>	<u>30,242</u>
Total borrowings	<u>51,205</u>	<u>50,024</u>

27. Material litigation

There were no pending material litigations at the date of this interim financial statements.

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Part B - Explanatory notes pursuant to Appendix 9B of the Listing Requirements (continued)

28. Dividend

No interim dividend has been recommended for the current quarter under review.

29. Disclosure of nature of outstanding derivatives

There were no outstanding derivatives as at the end of the reporting period.

30. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 30 September 2016 or the previous financial year ended 31 December 2015.

31. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 30 September 2016 or the previous financial year ended 31 December 2015.

32. Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit or loss as at 30 September 2016 or the previous financial year ended 31 December 2015.

33. Earnings per share

(a) Basic

Basic earnings per share amounts is calculated by dividing profit for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial period.

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.9.2016	Preceding year corresponding quarter ended 30.9.2015	Current year- to-date 30.9.2016	Preceding year corresponding period 30.9.2015
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	137	89	726	837
Weighted average number of ordinary shares in issue ('000)	80,000	80,000	80,000	80,000
Basic earnings per share (sen)	0.17	0.11	0.91	1.05

(b) Diluted

There is no diluted earnings per share as the Company does not have any dilutive potential ordinary shares for the current quarter under review and current year-to-date.

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Part C - Disclosure of realised and unrealised profits or losses

34. Retained earnings

The breakdown of realised and unrealised retained earnings is as follows:

	Realised RM'000	Unrealised RM'000	Total retained earnings RM'000
Financial year ended 30 September 2016			
Total retained earnings of the Company and its subsidiaries	14,356	(255)	14,101
Less: Consolidation adjustments			(116)
Retained earnings of the Group			<u>13,985</u>
Financial year ended 31 December 2015			
Total retained earnings of the Company and its subsidiaries	13,860	(477)	13,383
Less: Consolidation adjustments			(124)
Retained earnings of the Group			<u>13,259</u>

35. Auditors' report on the preceding annual financial statements

The auditors' report on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2015 were not subject to any qualification.

36. Authorisation for issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board on 24 November 2016.